Suite 1400 Bank of America Plaza 300 South Fourth Street Las Vegas, Nevada 89101 (702) 692-8000

John P. Sande IV Direct Phone: (702) 791-8200 Direct Fax: (702) 791-8240 jsandeiv@fclaw.com

Law Offices

Denver (303) 291-3200 Las Vegas (702) 692-8000 Nogales (520) 281-3480 Phoenix (602) 916-5000 Reno (775) 788-2200 Tucson (520) 879-6800

December 16, 2013

ELECTRONIC MAIL ONLY

Marla McDade Williams
Deputy Administrator
Division of Public and Behavioral Health
medicalmarijuana@health.nv.gov

Re: Medical Marijuana Regulations

Dear Ms. McDade Williams:

Pursuant to your department's request for comments on proposed changes to Chapter 453A of NAC, please see the following comments and specific concerns we raise, in numerical order. These comments are being raised on behalf of a client who may seek a medical marijuana establishment certificate. We appreciate the opportunity to submit these comments, and wish to reserve an opportunity to supplement these comments at the hearing scheduled for December 23, 2013.

Section 23(1):

Request Revision.

Section 23 requires most corporate entities to have at least two individuals sign on behalf of the organization when providing documents to the Division, with the exception of a limited-liability company. On its face, there doesn't seem to be a reason for this distinction, and therefore, in order to be consistent, we would recommend the Division revise to allow one individual to provide information, sign documents for the Division, and ensure certain actions are taken by the entity. Most entities will appoint and authorize this individual in the governing documents and should designate this individual in that portion of its application required pursuant to Sec. 26(5)(b), all of which will be submitted to the Division as part of the application for licensure.

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 2

Section 26(2)(b):

Request Revision.

This section requires an applicant to provide its "legal name" along with the application; however, it does not define the term – e.g. legal registered name with the Secretary of State or dba, etc.

We suggest the language be amended to require the name of the applicant, as reflected in the Articles filed with the Secretary of State.

Section 26(2)(e):

Request Clarification

Specifically, this Subsection reads:

"(e) The physical address where the proposed medical marijuana establishment will be located and the physical address of any co-owned additional or otherwise associated medical marijuana establishments;"

The language, "or otherwise associated" is vague and overbroad.

We would suggest the phrase be stricken in its entirety or, in the alternative, the clause modified to read, "any co-owned or otherwise affiliated medical marijuana establishments."

Section 26(2)(j):

Request Revision.

This section requires that an individual (or two) attest that all of the information provided to the Division is true and correct. While we support the concept, it is difficult for any one person to affirm this statement because much of the information requested is provided by other individuals, who will also be affirming that the information they are providing is true and correct. Our suggestion is to allow the individual submitting the information in the application to affirm, based on his or her knowledge that the information is true and correct.

Suggested Language:

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 3

(j) An attestation that the information provided to the Division to apply for the medical marijuana establishment registration certificate is true and correct according to the information known by the affiant at the time of signing.

Section 26(4):

Request Clarification of Intent.

In order to submit an application containing relevant information that is helpful to the Division, we request clarification of the phrase "other beneficial financial contributions ... to the State of Nevada or its political subdivisions." If this phrase includes charitable contributions to state sponsored programs, would it also include charitable contributions to other 501(c)(3) organizations? Does this include payments made to state operated utilities, such as water and sewer? Does it include assessments paid for development mitigation? We are curious to the Division's interpretation of the scope of "other beneficial financial contributions."

Section 26(6):

Request Revision.

Following up from our comments on Section 26(j), we request that all information provided by the owner, officer or board member is true and correct and may be relied upon the applicant when submitting with the Division.

Suggested Language:

(a) An attestation signed and dated by the owner, officer or board member that the owner, officer or board member has not been convicted of an excluded felony offense, and that the information provided to support the application for medical marijuana establishment is true and correct.

Section 26(10)(b):

Request Revision.

This section requires an investor to "unconditionally commit" funds to the organization to support the application for a medical marijuana establishment certificate. Although the intent of this requirement is understood, the language presents problems because it seems to be an inherent condition that the investment is contingent on the applicant's success. Therefore, the

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 4

investment cannot be "unconditioned." We suggest amended language recognizing the condition of success.

Suggested Language

(b) If the applicant is relying on funds from an owner, operator or partner, evidence that such person has unconditionally committed such funds to the use of the applicant in the event the Division awards a medical marijuana establishment certificate to the applicant, and the applicant obtains the necessary local government approvals to operate.

Section 26(10)(c):

Request Clarification.

Please confirm whether the requirement to prove sufficient capital for the first year of operation in addition to the \$250,000 that is required pursuant to NRS 453A.322

Section 26(11)(b):

Request Clarification.

This section refers to the "rules of the Division." Does the Division contemplate additional rules, or is this section referring to the Regulations adopted here?

Section 26(12)(b):

Request Clarification.

This section requires an applicant to describe how it will impact the community and "meet the needs of the persons who are authorized to engage in the medical use of marijuana." This language is so broad as to include everything from community involvement to traffic patterns. Please clarify the intent of this provision and the scope of the information desired.

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 5

Section 26(14):

Request Clarification.

This section expands the scope of any information request to "any other criteria of merit the Division determines to be relevant." The information the Division determines to be relevant should be presented in these regulations or presented to all the individual applicants at the same time, and at a time that will allow reasonable time to prepare a suitable answer to the Divisions request. If the Division determines the need for information that isn't contained in these Regulations, how will the Division communicate with the applicants to ensure this information is received in a timely manner?

Section 27:

Request Amendment.

The current version of this section seems to contradict our understanding of the selection process contemplated by the Division for qualified applicants. Specifically, this section refers to "an applicant" rather than "applicants." Although this distinction may at first seem inconsequential, it apparently has a dramatic effect on the selection mechanism. For example, if read as "an applicant," the selection procedure would require the Division to rank the applications of one applicant in order. In other words, if one applicant applied for two cultivation licenses and three dispensary licenses, the Division is charged with ranking each of the applicants licenses. Seemingly, the only variable from those licenses is the real property of the proposed facility, and whether the operation is a cultivation facility or dispensary. At this point in the process, the Division would have rankings comparing each applicants proposals against themselves, but not against other applicants. We do not believe this is the intent of the Division.

It seems more appropriate, and in line with our interpretation of the Division's desire to rank all applicants against the other applicants and rank those applications compared to the various applicants. If this is the case, we recommend amending the proposed regulation to apply to "applicants" rather than "an applicant."

Suggested Language

1. If the Division receives, within 10 business days after the date on which the Division begins accepting responses to a request for applications to operate a medical marijuana establishment issued pursuant to section 25 of this regulation, more than one response from any applicants proposing to operate a medical marijuana establishment and the Division determines that more

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 6

than one of the responses is complete and in compliance with Chapter 453A of NRS and this chapter...

Section 28:

Request Information.

This section refers to the number of registration certificates the Division "plans to issue." Does the Division know how many certificates it plans to issue at this time? If so, will the Division share that information with applicants?

Sections 31 and 32:

Request Information and Suggest Amendment.

A rather large concern for any successful applicant would be the event that an unsuccessful applicant successfully appeals a decision of the Division, and the successful applicant faces the possibility that its registration certificate could be revoked in favor of the appellant. In the event of an appeal, the successful applicant will be confronted with the decision of spending significant capital moving forward with the licensing process, or waiting until the appeal is final. If the successful applicant waits until the appeal process is complete, the applicant would likely lose several months, if not years before it could begin operations. This situation is untenable, and should be avoided at all costs. Thus, we recommend an appeal procedure that provides security that a successful applicant can proceed with licensure, without the fear that its registration certificate could be revoked.

Suggested Language.

Sec. 32. All appeals and protests concerning the issuance of medical marijuana establishment registration certificates must be filed in strict compliance with the provisions of chapter 439 of NAC. Nothing in this Section 32 permits the revocation of an otherwise valid previously issued medical marijuana establishment registration certificate.

Section 34:

Request Clarification and Suggest Amendment.

We request clarification regarding the term "fully operational." Will a medical marijuana establishment be fully operational when it is capable of performing the services contemplated by

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 7

the establishment, or when it is engaging in actual sales? For example, will a cultivation facility be fully operational when it is growing marijuana plants, or when it has cultivated, harvested, and sold products? In addition, although the regulation specifies that the Division "may" revoke the registration certificate of a licensee that is not "fully operational," we would suggest that the ability of the Division to revoke only arise when an applicant has not taken necessary steps to become operational. Consider a medical marijuana dispensary that has obtained all the zoning and business requirements of a local government, but its business plan contemplates constructing a facility. It seems unlikely that the applicant would obtain all of these approvals and complete construction in the 12 month timeframe. Provided that the applicant is progressing, and not sitting on its rights, the applicant should not fear a revocation of its registration certificate.

Suggested Language.

1. If a medical marijuana establishment is not fully operational within 12 months after the date on which the Division issued the establishment a medical marijuana establishment registration certificate, the Division may revoke the registration certificate unless the applicant has taken reasonable steps contemplated by its business plan to become operational.

Section 35(1)(a):

We oppose the requirements of this Section.

Pursuant to this section, a medical marijuana establishment must surrender its registration certificate and reapply during the next annual 10-day period if it wants to add an owner, regardless of the percentage of ownership affected. This blanket requirement is unlike other similarly-privileged businesses in Nevada and would lead to a wide variety of problems for the establishment. For example, this requirement would render impossible both obtaining investments and maintaining employee stock incentive programs. Also, if the public or a medical marijuana establishment is having problems with a current owner, s/he could not be bought out by a new owner without risking the entire business, so s/he would likely be permitted to stay if the current owners could not afford to do so. And investors simply will not come into a business that will have to close, possibly forever, immediately upon the making of the investment.

In addition, Section 35(3) requires the Division to "take action to revoke" the medical marijuana establishment's registration certificate if the Division determines there is merely "cause to believe" a establishment took steps to circumvent the restriction on transfer of ownership, leasing or subcontracting. This leaves unclear whether there is a need to establish it actually did do so and who actually decides to revoke the certificate. This language is expressly contrary to the

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 8

legislative intent. The following exchange is from the Nevada Assembly Committee Minutes, 6/1/2013:

Assemblywoman Cohen:

Sections 16 and 17 have revocation provisions for certificates for dispensaries. It lists things that are grounds for revocation, but it does not say who is making the decision. Do the dispensaries get any due process? Are they entitled to hearings?

Senator Segerblom:

This bill is a broad outline and it anticipates that the Health Division will develop thorough regulations. A lot of those kinds of details are left to the regulatory process. We would anticipate that they would follow constitutional mandates, and due process, et cetera, would be put into the regulations.

The Department has expressed the view that any proposed change in ownership is essentially a "transfer" that is prohibited by NRS 453A.334. But 453A.334 prohibits the transfer of a medical marijuana establishment registration *certificate*, not the business in which that certificate is held. In addition, any new owner will need to apply for and obtain an medical marijuana establishment agent card which should be completed prior to becoming an owner. This evaluation process will assist Nevada in maintaining quality participation and respectable ownership; if an applicant does not qualify to be an agent then they cannot participate in the establishment. We should also note that many patients develop relationships of trust with their dispensaries and will not know where else to go, should one be suddenly shut down due to either an inability to bring on investors or having to surrender its certificate in hopes of being able someday to reopen. And, the establishment could have intimate knowledge of its patient's history and needs, may be the only maker of a popular, effective product, or may be forced to destroy significant inventory or sell it below market value in accordance with winding up.

We suggest that the surrender requirement be limited to instances where a transfer of all or substantially all assets or ten percent (10%) of the stock of the medical marijuana establishment are proposed, but the language as currently written is overbroad.

Section 36(1)(b):

Suggest Revision.

We suggest, similar to Section 26(2)(b) that the name be the same as set forth on the Articles on record with the Secretary of State.

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 9

Section 36(1)(g):

Suggest Revision.

We suggest, similar to Section 26(2)(j), that the language be amended to read:

(j) An attestation that the information provided to the Division to renew the medical marijuana establishment registration certificate is true and correct according to the information known by the affiant at the time of signing.

Section 36(3):

Request Revision.

This Section calls for audited financials to be submitted each year, which will be very expensive. According to estimates by local CPAs, this requirement would cost between \$25,000 and \$50,000 annually. Perhaps an acceptable manner in which to conduct audited financial would be to conduct an audit after one year of operation to establish a baseline, and then require audited financial every 5th year of operation.

Section 37:

Request Revision.

This section requires the Division to conduct annual inspections of medical marijuana establishments. While we do not have any objections to the inspection requirements, we request that when the Division is required to inspect a retail establishment, unless the inspection is conducted due to a complaint against the establishment, the Division only conduct these inspections after the normal operating hours of the establishment. The purpose for our request is relatively straightforward. For many patients, the purchase of medical marijuana is a private matter. Many of the afflictions ailing patients concern private health matters that are private to the individual. By performing inspections during normal business hours, patients could be placed in an uncomfortable situation. It seems of little value to the Division to have the ability to inspect the establishment during business hours, unless responding to a legitimate complaint due to the security requirements required of all operators. Thus, balancing the interests of the patients need for privacy, and the Divisions obligation to inspect the facility, it appears that the patient's needs are greater, and thus, we accordingly request the Division to limit inspections of

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 10

the front end of the retail establishment to be conducted after the normal business hours of the establishment.

Suggested Language

(3) The Division may enter and inspect any building or premises at any time, except for a medical marijuana dispensary which must be conducted after the normal business hours of the establishment, with or without notice, to:...

<u>Section 38(2)</u>:

Suggest Clarification.

This section requires 10 days to develop a plan of correction. We suggest the Division interpret this as 10 business days.

Suggested Language.

2. A medical marijuana establishment whose registration certificate has been suspended pursuant to subsection 1 shall develop a plan of correction for each deficiency and submit the plan to the Division for approval within 10 business days after receipt of the statement of deficiencies...

Section 39:

Suggest Revision.

This section addresses the denial of a renewal and the revocation of registration certificates based upon the malfeasance of an agent. Obviously such actions are important, but the implications can be devastating to a medical marijuana establishment. Thus, we recommend that this important power only be exercised in situations to protect the public, and should be limited where the goals of the Division can be met without overly burdening the establishment.

With this in mind, we request that, in the event an owner, officer, or board member has provided false or misleading information to the Division or has been convicted of an excluded felony offense, the establishment has the opportunity to immediately remove that board member before the Division "must" revoke the medical marijuana establishment registration.

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 11

Suggested Language.

Section 39(1)(b) With the knowledge of the medical marijuana establishment, an owner, officer or board member of the establishment:

(2)(b) An owner, officer or board member of the establishment has been convicted of an excluded felony offense and the owner, officer or board member is not removed by the establishment immediately upon discover of the conviction.

Sections 40(1), 42(2), 43(5) and 44(3):

We oppose the requirements of these sections as they pertain to residency.

With regard to obtaining a medical marijuana establishment agent card, Sections 40(1), 43(5), 44(3) look like residency requirements by requiring only a Nevada driver's license, Nevada identification card, or passport (which may be difficult to acquire in a timely manner). In addition, Section 42(2) looks like a residency requirement by requiring each medical marijuana establishment agent ("MMEA") to have a Nevada address.

With regard to obtaining a Nevada registry ID card, NRS 453A.210 and proposed Section 142(h) require that all applicants for registry ID cards (i.e., patients) be residents of Nevada. The Division has expressed the opinion that each MMEA (i.e., any "owner, officer, board member, employee or volunteer") also needs to have a Nevada registry ID card, on top of his/her medical marijuana establishment agent card. This appears unsupported by the record and contrary to legislative intent. There is no requirement in NRS 453A.332 ("Agents required to register with Division; requirements for registration; establishment required to notify Division if agent ceases to be employed by or volunteer at establishment; expiration and renewal of registration. [Effective April 1, 2014.]") that a MMEA needs to be a patient. Even if the State would require that a MMEA be a registered medical marijuana patient, the State will accept nonresident patient ID cards with little more than a sworn statement from a traveler and should do the same for patients who are also invested in the community as MMEAs.

From Nevada Senate Committee Minutes, 3/29/2013:

Senator Segerblom:

I came away from our recent investigative trip to Arizona realizing that the faster we can get this process moving, the better. It took Arizona 2 years to get its process on board--Arizona has only one facility after 2 years. I do not think we need to wait that long.

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 12

Making it a for-profit situation can attract some of the businesses from around the Country. We want a tight process that is well-regulated. If we can attract businesses from out of state, especially those who know how to start it up and run it right, that will be the best for us.

Our main concern here is to find out the best way to start a dispensary and get one open in a year.

Senator Ford:

I commend you and Senator Hutchison for doing this. It is laughable that we have waited 13 years. We have been told to do this, and it is courageous for you both to continue to press this.

Clearly, the legislative intent was to get the medical marijuana establishments up and running as soon as possible by using already experienced individuals from outside of Nevada. There should be no residency requirement for MMEAs.

The language in Sections 40(1), 42(2), 43(5) and 44(3) should be amended to read "any valid government-issued identification card..."

Section 46(2):

Request Clarification.

When would an agency decision become final and subject to administrative review?

Section 48(1)&(2):

Suggest Revision.

Similar to our comments on Section 39, the revocation of a medical marijuana registration certificate is an exemplary measure. Therefore, the rights of the establishment must be considered. This Section seems a bit drastic in that it requires revocation of the registration certificate for "violation of any of the provisions [of this regulation.]." Thus, this could be interpreted to justify violation of a registration certificate of a marijuana-infused producer if an employee fails to keep his or her fingernails trimmed. See Section 61(b). We don't believe such

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 13

a literal interpretation is the intent of the Division, and thus would suggest limiting the application to "material" violations.

Suggested Language.

1. A material violation of any of the provisions of sections 2 to 139, inclusive, of this regulation is grounds for immediate revocation of a medical marijuana establishment registration certificate...

Section 48.5(2):

This section exposes an establishment to an unlimited assessment of costs related to on-going inspection-related activities. Although we understand the need for passing along some of the costs, we feel it would be inappropriate for excessive assessments. Thus, we would recommend limiting the amount of potential assessment to a "reasonable" amount.

Suggested Language:

2. For the on-going inspection-related activities of the Division, not related to processing an establishment's application, an assessment to each establishment for the *reasonable* time and effort attributed to the oversight of the establishment that is based upon the hourly rate established for each inspector or auditor of medical marijuana establishments as determined by the budget of the Division.

Section 52:

Suggest Deletion or in the alternative an amendment.

This section seems to have been taken from another jurisdiction that may have required not-for-profit entities to operate as medical marijuana establishments. Although none of these practices would be normal operating procedure for a successful company, it seems that a medical marijuana establishment may have a legitimate business reason to perform any of these tasks. Provided such business strategy does not conflict with the laws and regulations of this state, it seems that this section would not be necessary, and we would request to delete it in its entirety. However, if that is not palatable, we suggest permitting these activities provided that the entity can provide a legitimate business reason to the Division.

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 14

Section 53:

Request Revisions.

This section limits the individuals that may lawfully be permitted on the premises of a medical marijuana establishment. Our first comment regarding this section is that it requires language to acknowledge that out-of-state individuals lawfully permitted to use medical marijuana in their state are permitted on the medical marijuana establishment's premises. In addition, the Division may consider separating out a medical marijuana laboratory from these provisions because the statutory framework doesn't seem to require patient's access to a laboratory. Finally, we believe the regulations should permit certain contractor on the premises without the requirement of obtaining a medical marijuana establishment agent card or a registry identification card. For example, security personnel or janitorial service members that provide services to the establishment. It seems overly burdensome to require these individuals to incur the time and expense of obtaining an agent card for the limited exposure they would have to the business operations of the establishment.

Suggested Language:

- 1. Except as otherwise provided in this section, the only persons who may be on the premises of a medical marijuana establishment are:
 - (a) A medical marijuana establishment agent;
- (b) A patient who holds a valid registry identification card, or is lawfully permitted to use medical marijuana in a state that permits the medical use of marijuana;
- (c) The designated primary caregiver of a patient who holds a valid registry identification card; or
- (d) A person designated by the medical marijuana establishment to provide services that are necessary for, but separate from, the operation of the business of the medical marijuana establishment.

Section 54:

Request Clarification.

This section seems to indicate that the employees of the medical marijuana establishment require an employment contract. If this is the case, we would oppose this language. There seems little value in requiring an employment contract for most of the employees of the establishments.

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 15

Section 55(2):

Request Revisions.

This section independent contractors, who are not MMEAs, to maintain a medical marijuana establishment agent card. In our opinion, this requirement is extremely overbroad and oversteps the intent of the Legislature. Only individuals that perform services directly related to the cultivation, harvesting, inspection and testing, transportation, and dispensing of medical marijuana should be required to obtain an agent card. We do not believe that the Division intends that all individuals with "a contract to provide services to the establishment" require an agent card. There are many individuals that may have a contract to provide services to a medical marijuana establishment that are not in any way involved in the business of the establishment. For example, an attorney, accountant, architect, security officer, label maker, janitor, etc, have no day-to-day responsibility to the operation of the establishment. To require all of these individuals to be subject to background checks, pay the fees, and complete training for services they will not perform seems extreme. Accordingly, we request the requirement for an agent card be limited to contractors that provide services related to the operation of the establishment.

Suggested Language.

- 2. Not allow an individual who does not possess a medical marijuana establishment agent registration card issued under the medical marijuana establishment registration certificate to:
 - (a) Serve as an officer for hourd member for the establishment;
- (b) Be employed by or have a contract to provide services related to the operation of the establishment; or
 - (c) Provide volunteer services at or on behalf of the establishment.

Section 56:

Requested Revision.

Similar to our comment on Section 53, this Section should be clarified to acknowledge that individuals from other states with valid authorization to use medical marijuana are included in the language as written.

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 16

Section 62.

Suggest Deletion.

This section contains facility construction requirements for each medical marijuana establishment. Although each of these will be required for each and every facility, it seems that these requirements are already handled by the building standards of the local government in which the establishment is located.

Section 67(3)(b).

Request Clarification.

This section indicates that a dispensary has an obligation to provide education and support materials to a patient. What are the parameters of this obligation? Does the patient need this documentation on every visit, or only when the patient completes his or her initial consultation? Will the Division provide these materials, or will the dispensary provide these materials?

Section 69(1):

Suggest Revision.

This section prohibits direct access of medical marijuana to a customer. This requirement seems to prohibit a customer from having the opportunity to touch or smell a sample of the particular product. We request that the Division permit visual and olfactory inspection of the products in limited amounts.

(1) A medical marijuana dispensary must store all usable marijuana and marijuana products behind a counter or other barrier, to ensure a customer does not have direct access to any product except for a small amount which the medical marijuana establishment agent can present to the customer for visual and olfactory inspection.

<u>Section 72(3)</u>:

Suggest Revision.

This section states that a cultivation facility cannot allow visible marijuana growing from outside the building. This seems reasonable, but considering that many cultivators will grow their marijuana in a greenhouse, it is possible that the harvest will be visible from outside the

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 17

greenhouse. The Division's intent here seems to prevent visible marijuana by the public, from public spaces, and therefore we suggest prohibiting the visibility of marijuana from outside the property line of the cultivation facility.

Suggested Language.

3. Each cultivation facility shall ensure that any marijuana growing inside a building of the facility cannot be observed by the general public from beyond the property line of the cultivation facility.

Sections 75-79:

Request Clarification.

The packaging and labeling requirements set forth in Sections 75 through 79 are vague. Where they apply to sales to registry ID card holders, as opposed to transfers to other medical marijuana establishments, this should be clearly stated. Also, it is unclear whether the required label needs to go on each small container or soda can, or whether the term "package" can include a bag or other container that the individual products are placed into for removal from the premises. The proposed labels are quite large and, if the full label is required on each individual container, it will lead to significant increases in packaging. That will not only increase costs, but will be environmentally damaging and in opposition to the State's efforts to encourage medical marijuana establishments to minimize their environmental impact. Also, some of the information is more appropriately placed on the packaging by a facility for the production of edible or infused products, such as ingredient and allergen information, so this portion of the label should be a requirement of that facility instead of the dispensary as is now set forth in Section 79.

We would suggest the ability to place the label on a bag containing the container of medicine, an abbreviated labeling requirement for packages smaller than 2.75 by 4 inches (possibly omitting the name of the patient to whom the medicine was dispensed), or the ability to place several labels on one package that, as a whole, contain all of the labeling requirements set forth in the regulations by the time of transfer to a registered patient, regardless of size.

Section 81:

Request Clarification.

This section relates to the regulation of edible and infused marijuana products. Although edible products and infused products are different processes, the Division will regulate these as a single

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 18

license group. We request clarification from the Division, and potential amendments, if necessary to permit an applicant for a license to prepare marijuana infused products to satisfy the requirements of the license without having to comply with the more stringent requirements necessary to produce and prepare edible products -- e.g. a plan for food safety and food handling.

Section 113:

Request Clarification and Amendment.

Specifically, Section 113 reads, in pertinent part, that each "... cultivation facility, facility for the production of edible marijuana products or marijuana-infused products, and medical marijuana dispensary shall, ... assure that the medical marijuana products have the identity, strength, quality and purity they purport or are represented to possess..." As a practical matter, this would require each MME to re-test products already evaluated by the independent testing laboratory or be responsible for errors occurring at that laboratory. We request that this be the responsibility of the independent testing laboratory.

Section 114(3)(c):

This Subsection calls for each medical marijuana establishment to "destroy obsolete and outdated" labels and packaging. As packaging can be considered "sharp" pursuant to certain county regulations covering waste removal, please clarify whether this language would require medical marijuana establishments treat this waste as Biohazardous Waste and dispose of it pursuant to such requirements or others.

Section 137:

Request Amendment.

This section requires the Division to register and track the attending physicians licensed in the State who advise a patient that the medical use of marijuana may mitigate the symptoms or effects of the patient's medical condition. We have concerns that tracking attending physicians may have a chilling effect on the doctor's willingness to recommend the medical use of marijuana. In addition, the collection of all of this information is onerous to a busy physician.

We recommend that this section be deleted in its entirety.

ELECTRONIC MAIL ONLY

Marla McDade Williams December 16, 2013 Page 19

Once again, thank you for the opportunity to present our comments. We look forward to continuing the process with you as we move through this exciting time in Nevada history.

Sincerely,

FENNEMORE CRAIG JONES VARGAS

John P. Sande IV

JOSA JSANDEIV/8743379.1/036244.0001